



Ontario

Ministry
of
Revenue

Lorne Maeck
Minister

T. M. Russell
Deputy Minister

Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

3
L
L
3

Number 1-78

March 8, 1978

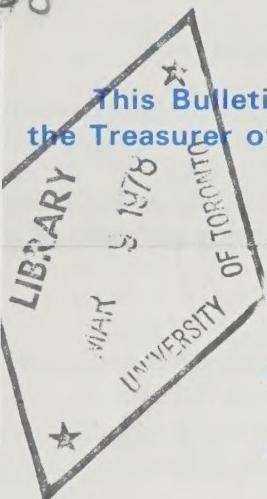
ONTARIO BUDGET 1978

This Bulletin summarizes the changes affecting *The Retail Sales Tax Act*, proposed by the Treasurer of Ontario in the Ontario Budget of March 7, 1978.

BUDGET HIGHLIGHTS

- TEMPORARY EXEMPTION—TRANSIENT ACCOMMODATION AND AMERICAN PLAN CHARGES
- ENERGY CONSERVATION MATERIALS AND EQUIPMENT EXEMPTION EXPANDED
- TAXATION OF RAILWAY ROLLING STOCK AND REPAIR PARTS

3 1761 120623855



TEMPORARY EXEMPTION— TRANSIENT ACCOMMODATION AND AMERICAN PLAN CHARGES

Effective from March 8, 1978 to December 31, 1979 inclusive.

As a temporary measure, the 7% tax on purchasers of transient accommodation and the formula tax on purchasers of accommodation and meals for one consideration under the American Plan are removed. Charges for such accommodation provided during the period March 8, 1978 to December 31, 1979 inclusive will be exempt from retail sales tax.

This temporary period of exemption excludes the night of March 7, 1978 but includes the night of December 31, 1979.

TAXATION OF RAILWAY ROLLING STOCK AND REPAIR PARTS

Effective March 8, 1978, the exemption allowed railway rolling stock and repair parts is removed. All such items purchased, leased or rented for use within Ontario will be subject to retail sales tax at the rate of 7 percent.

Railway rolling stock and repair parts purchased on or after March 8, 1978 for use exclusively in Ontario will be taxable on the full acquisition value.

If used interjurisdictionally, the proportion of use in Ontario will be subject to tax at 7 percent.

Where railway rolling stock is leased or rented, tax will be applied in a similar manner on lease or rental payments due on or after March 8, 1978.

Further details of the formula to be used will be provided shortly.

EXEMPTION FOR ENERGY CON- SERVATION MATERIALS AND EQUIPMENT EXPANDED

The exemption for energy conservation materials and equipment that was previously provided in *The Retail Sales Tax Act* (see details on page 2 of this Bulletin) is expanded to include purchases of the following items, effective March 8, 1978:

- (i) storm doors and storm windows;
- (ii) double glazed windows and double glazed patio doors;
- (iii) window units sold complete with storm units, provided they incorporate a double glazed insulating feature; and
- (iv) patio doors with double track door systems, provided they incorporate a double glazed insulating feature.

NON-BUDGET ITEMS

The following pages of this Bulletin clarify certain areas of *The Retail Sales Tax Act* and *Regulations*.

If you require further information, please contact your local *Retail Sales Tax District Office*. The District Offices are listed on the back page of this Bulletin.

MATERIALS AND EQUIPMENT USED IN THE CONSERVATION OF ENERGY

On April 20, 1977, an exemption became effective for certain materials and equipment used for the conservation of energy. The thermal insulation materials and energy conservation equipment exempted are:

Thermal Insulation Materials

- (a) Thermal insulation materials, defined to be batt, blanket, foam, loose fill, rigid or reflective insulation that is acquired exclusively for the purpose of preventing heat loss in a building; but does not include:
 - weather stripping and caulking materials;
 - windows and doors of any type and frames therefor;
 - pipe, boiler and duct insulation and wrapping materials;
 - acoustical insulation and acoustical materials;
 - wall board or dry wall; or
 - any materials incorporated into a building primarily for their structural or decorative value, and materials serving functions other than thermal insulation, whether or not such materials have thermal insulation properties.

Energy Conservation Equipment

- (b) Heat pumps which are principally used to extract heat from an area outside the building for the heating of which they are installed.
- (c) Heat recovery units which extract heat from exhaust water, air or gases that are not intended for reuse or recycling in any manufacturing or production process or otherwise.
- (d) Solar cells used to produce, directly from sunlight, electricity to charge batteries.
All batteries are excluded from the exemption and are therefore taxable.
- (e) Solar furnaces, panels and tubes specially designed to collect and convert solar energy into heat for use in a solar heating system.
All auxiliary equipment is taxable.
- (f) Windmills and wind-powered generators, but not including the frame or other supporting structure.
- (g) Automatic timer controls for electrical equipment which are used to control energy in electrical lighting equipment.
The exemption does not include timer controls used in the operation of any manufacturing or production process or timer controls sold for domestic household use.
- (h) Wood-burning stoves and wood-burning furnaces which have a fully-enclosed solid combustion chamber to produce heat for cooking or for heating a building.
However, stoves and furnaces that are capable of using other solid fuels are exempt if they are designed to burn wood and all the other requirements are met. The exemption excludes fireplaces and stoves that do not have a fully enclosed combustion chamber.

(i) Wind deflectors which are attached to trucks or the cargo carrying unit of a truck.

All other deflectors are taxable.

All parts used to repair or maintain the equipment noted in clauses (b) to (i), except as expressly provided in the exemption, are taxable.

Note: Effective March 8, 1978 this exemption is expanded to include storm windows and storm doors—refer to Budget Highlights on page 1 of this Bulletin.



FARM IMPLEMENT DEALERS

The Retail Sales Tax Act exempts the purchases of certain items by farmers. Details of taxable and exempt purchases by persons engaged in the business of farming are shown in Retail Sales Tax Ruling 14. A partial list of these purchases is as follows:

- *Taxable Items*

all-terrain vehicles	lubricating oil and grease
building materials	trucks and parts

Purchase exemption certificates cannot be used to purchase these items exempt of tax.
- *Exempt Items, No Purchase Exemption Certificate Required*

agricultural lime	farm tractors and wagons
combines	insecticides
harvesters	straw
- *Exempt Items, Purchase Exemption Certificate Required*

hand tools for use on the farm	pruning shears
fence posts	hydraulic oil for exempt
livestock weight scales	farm machinery
tires and batteries for exempt farm machinery	welding machines

For a *complete list* of all the above categories, reference should be made to Ruling 14 available from your local Retail Sales Tax District Office.



HANDLING, DELIVERY AND MAILING CHARGES

In billings to customers, some vendors show charges such as handling, mailing or delivery as separate charges while other vendors include these charges in the overall price of their products. In the past, there has been misunderstanding by vendors of the correct application of tax where these charges are shown separately.

Effective March 8, 1978 the definition of fair value is being amended to clarify that all charges of this nature are part of the fair value of goods. Tax is to be charged on the total price inclusive of all handling, delivery and mailing charges whether billed separately or not, where such charges relate to the sale of taxable merchandise.



FRUIT DRINKS, FRUIT JUICES AND OTHER FRUIT DRINK PREPARATIONS

The tax status of non-carbonated fruit drinks has been generally misunderstood because they have been popularly perceived as being exempt food products. The public has been unaware that they do not generally meet the required natural fruit content to qualify for exemption.

The following non-alcoholic drinks and drink preparations are taxable:

1. all carbonated drinks, regardless of content;
2. a non-carbonated drink having less than 25% by volume of natural fruit content;
3. crystals, cordials, squash, cocktail mixes, concentrate syrups, nectars and similar preparations, having less than 25% natural fruit content.

The following non-alcoholic drinks and drink preparations are exempt:

1. any non-carbonated beverage, concentrate, or reconstituted juice containing 25% or more by volume of natural fruit content;
2. crystals, cordials, squash, cocktail mixes, syrups, nectars and similar preparations, having 25% or more of natural fruit content.

The following rules of thumb are offered for determining the tax status of various non-alcoholic beverages:

- All non-carbonated fruit beverages that are labelled JUICE are exempt of retail sales tax.
- All non-carbonated fruit beverages labelled DRINK and fruit drink preparations are taxable unless they have 25% or more natural fruit content;
- Carbonated drinks of all kinds are taxable; the natural fruit content has no bearing.

Vendors of fruit DRINK and fruit drink preparations must collect and remit sales tax on these sales unless the manufacturer substantiates that the natural fruit content is 25% or more.

Any non-alcoholic beverage served with a prepared meal is part of the meal and is taxable or exempt based on the cost of the meal.



REFUNDS AND REBATES

The Branch will refund sales tax paid in error if an application for the refund of the tax is made within two years of the date when the tax was paid.

Alternatively, a vendor may make a refund to a purchaser who paid tax in error where the refund is made within two years of the sale if one of the following conditions exists:

- (a) the overpayment was the result of a clerical error,
- (b) the purchaser issues a valid purchase exemption certificate after the goods were purchased,
- (c) the agreed purchase price is reduced due to:
 - (i) the return of all or part of the goods;
 - (ii) damage to or other defects in the goods provided the goods are retained by the purchaser,

(d) by reason of any discount for prompt payment agreed at the time of purchase.

There are also special provisions in the Act and Regulations for the rebate of sales tax to religious, charitable or benevolent organizations.



PREPARED MEALS

Effective April 20, 1977, no tax applies where the price of a prepared meal (excluding liquor, beer or wine) is \$6.00 or less. Where the price of a prepared meal exceeds \$6.00, tax at the rate of 10% applies to the *full* price of the meal.

Any of the methods listed below is acceptable when billing for the price of prepared meals. In each instance the tax will be applicable as noted:

1. If a separate bill is issued to each customer, tax at 10% applies to each bill that exceeds \$6.00, and no tax applies to a bill of \$6.00 or less.
2. If meals for several persons are recorded on one bill, "averaging" may be used provided the number of persons in the group is also shown. If the average price per person is \$6.00 or less, the meals are not taxable. However, tax does apply to the full amount of the bill if the average price per person exceeds \$6.00.
3. Where individual meals can be identified on a bill, only the individual meals costing in excess of \$6.00 are taxable.
Charges for liquor, beer and wine must always be shown separately and the total taxed at 10%.
4. Soft drinks and other beverages, except liquor, beer and wine, when served with a prepared meal, become part of the meal and are taxable or exempt based on the cost of the meal.



FIRE LOGS

Wood used for heating is exempt from sales tax. However, synthetic "fire logs" comprised of ingredients other than wood are taxable.



FEDERAL/PROVINCIAL RECIPROCAL TAXATION

Reciprocal Tax Agreement

Effective October 1, 1977 the Governments of Canada and Ontario have agreed to pay each other's commodity taxes. The effect to suppliers is that these governments will now be essentially the same as any of their other customers.

Payment of Ontario Sales Taxes by the Government of Canada

The Government of Canada has been issued an Ontario "G" permit number and will purchase exempt of retail sales tax when the number is on their purchase orders. Like all "G" permit holders they will self-assess the amount of tax to be paid and remit directly to Ontario. The Government of Canada will not use its "G" permit on purchase

orders in the following circumstances but will pay taxes directly through suppliers:

1. Retail sales tax on taxable meals and accommodation purchased by public servants on travel status.
2. Retail sales tax on building materials and fixtures purchased by contractors for use in the executing of contracts for construction or maintenance of buildings or works for the federal government.
3. Retail sales tax on goods or services purchased by federal departments or agencies without a supporting purchase order quoting their provincial sales tax permit number where applicable.
4. Amusement or entertainment taxes.

Suppliers to the Government of Canada have been notified of the above changes by way of a "Notice to Suppliers" dated October 1, 1977.

Contractors executing contracts for the Government of Canada as per item 2 above will be allowed a period of adjustment to comply with the changes. Such contractors will be notified shortly of the period of time for adjustment.

It should be noted that other commodity taxes such as tobacco tax and motive fuel tax will be paid directly through suppliers.

Federal Crown Corporations

Federal Crown Corporations continue to be subject to commodity taxes like any other consumer of goods and services.

For Further Information

Any queries with regard to this subject may be directed to the local Retail Sales Tax Office of the Ministry of Revenue.



SALES TO DIPLOMATS

Special identification cards as illustrated below are issued by the Ontario Government to members of foreign diplomatic corps, consular offices and trade commissions, if

- they are not engaged in any other occupation in Canada, and
- they are not citizens or permanent residents of Canada.

These diplomats are exempt from the Ontario retail sales tax on their purchases of taxable merchandise or services while residing in Ontario, if

- they present their identification card; and
- they sign the purchase invoice on which the seller has recorded the diplomat's name, address and the number of the card.

	MINISTRY OF REVENUE Diplomatic Exemption from Retail Sales Tax
Ontario	NOT VALID UNLESS SIGNED AND PHOTOGRAPH ATTACHED - SEE REVERSE No
This is to certify that:	
whose signature and photograph appears on the back of this Certificate is entitled to exemption from the Ontario Retail Sales Tax in accordance with general diplomatic practice and law.	
MINISTER OF REVENUE	CHIEF OF PROTOCOL
VALID ONLY IN ONTARIO	

FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA,
AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas Street East 962-9108	ORILLIA L3V 6K5	19 Front Street North P.O. Box 670 326-3519	TORONTO M4P 1H6	2300 Yonge St., 10th Floor 487-7161
HAMILTON L8P 1B4	361 King Street West 528-8393	OTTAWA K1Z 7L7	1419 Carling Avenue Hampton Park Plaza 728-5887	WELLAND L3B 3Z7	76 Division Street 732-1318 (in St. Catharines and Niagara Falls, call 688-1360 or 688-1368)
KITCHENER N2M 1N2	449 Belmont Ave. W. 744-6318	SUDBURY P3A 1Z7	1536 LaSalle Blvd. 674-3151		
LONDON N6C 4P4	310 Wellington Rd. 433-4033	THUNDER BAY P7C 5G6	435 James Street South P.O. Box 5000 Ontario Government Bldg. 475-1681	WINDSOR N9A 6V9	250 Windsor Ave., 252-4404
NORTH BAY P1B 2H3	1500 Fisher Street Northgate Plaza 474-4900				